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**United Nations
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United Nations Environment
Programme**

**United Nations Environment Assembly of the
United Nations Environment Programme
First session**

Nairobi, 23–27 June 2014

Item 7 of the provisional agenda*

**Budget and programme of work for the biennium
2016–2017 and the Environment Fund and other
budgetary matters**

Management of trust funds and earmarked contributions

Report of the Executive Director

Summary

In its decision 27/14, the Governing Council of the United Nations Environment Programme (UNEP) requested the Executive Director of UNEP to prepare a report highlighting the challenges of managing multiple trust funds and to propose steps that could be taken to reduce the administrative burden of maintaining such funds. On 25 September 2013 the secretariat presented to the subcommittee of the Committee of Permanent Representatives to UNEP, at its annual meeting, a note on UNEP trust funds and their management. The note provided an overview of the various types of trusts funds administered by UNEP, as well as information regarding the increase in the number such trust funds and the contributions to them. The note also described the current structure and management of UNEP-administered trust funds and presented recommendations for the consideration of the Committee of Permanent Representatives aimed at improving the management of those funds.

UNEP administers both single-donor and multi-donor trust funds. In the case of the former, each designated donor contribution is managed as a separate trust fund; whereas for multi-donor trust funds, contributions from multiple donors are managed in a combined pool of funds. The primary multi-donor fund for UNEP is the Environment Fund.

Donor requests for the establishment of single-donor trust funds have led to the creation of a large number of relatively small trust funds whose transaction costs are relatively high owing to varying donor requirements with regard to monitoring and reporting. UNEP-administered trust funds have grown over time from one in 1972 to 124 in December 2013. The amount of contributions to trust funds is now much higher than the amount of contributions to the Environment Fund; during the biennium 2012–2013, contributions to the Environment Fund were \$152 million compared to \$773 million for trust funds, excluding the Multilateral Fund for the Implementation of the Montreal Protocol. This proliferation of single-donor funds marks a change in the approach to UNEP funding, with increasing levels of contributions earmarked for specific activities.

Multi-donor trust funds enhance effectiveness by reducing transaction costs and mitigating the high risk levels inherent in the management of single-donor and earmarked trust funds. The approved programme of work for 2014–2015 aims to move increasingly from earmarked resources to the Environment Fund, guided by the member States' collective programmatic decisions.

* UNEP/EA.1/1.

I. Suggested action by the United Nations Environment Assembly

1. The United Nations Environment Assembly may wish to adopt a decision along the lines suggested below:

Decision 1/[...]: Management of trust funds and earmarked contributions

The United Nations Environment Assembly,

Having considered the report of the Executive Director on the management of trust funds,

I

Trust funds in support of the programme of work of the United Nations Environment Programme

1. *Notes and approves* the establishment of the following trust funds since the twenty-seventh session of the Governing Council:

A. General trust funds

- (a) PES: Trust Fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), which was established in 2014 with no expiry date;

B. Technical cooperation trust funds

- (b) CLL: Trust Fund to Support the Activities of the Climate Technology Centre and Network, which was established in 2013 with an expiry date of 31 December 2017;

- (c) GRL: Technical Cooperation Trust Fund for the Implementation of Greening Economies in the Eastern Neighbourhood and Central Asia (EaP-GREEN) Programme, which was established in 2013 with no expiry date;

2. *Approves* the extension of the following trust funds, subject to the Executive Director of the United Nations Environment Programme receiving requests to do so from the relevant Governments or contracting parties:

C. General trust funds

- (a) AML: General Trust Fund for the African Ministerial Conference on the Environment, which is extended up to and including 31 December 2017;

- (b) CWL: General Trust Fund for the African Ministers' Council on Water, which is extended up to and including 31 December 2017;

- (c) MCL: General Trust Fund in Support of Activities on Mercury and its Compounds, which is extended up to and including 31 December 2017;

- (d) SML: General Trust Fund for the Strategic Approach to International Chemicals Management Quick Start Programme, which is extended up to and including 31 December 2017;

- (e) WPL: General Trust Fund to Provide Support to the Global Environment Monitoring System/Water Programme Office and to Promote its Activities, which is extended up to and including 31 December 2017;

D. Technical cooperation trust funds

- (f) AFB: Technical Cooperation Trust Fund for UNEP Activities as Multilateral Implementing Entity of the Adaptation Fund Board, which is extended through 31 December 2017;

- (g) BPL: Technical Cooperation Trust Fund for the Implementation of the Agreement with Belgium (financed by the Government of Belgium), which is extended up to and including 31 December 2017;

- (h) CIL: Technical Cooperation Trust Fund to Support the Implementation of the Strategic Plan for Remediation Activities Following the Toxic Waste Incident in Abidjan, Côte d'Ivoire, which is extended up to and including 31 December 2017;

- (i) GNL: Technical Cooperation Trust Fund in support of the Coordination Office of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (financed by the Government of the Netherlands), which is extended up to and including 31 December 2017;

- (j) IAL: Technical Cooperation Trust Fund for Ireland Aid Multilateral Environment Fund for Africa (financed by the Government of Ireland), which is extended up to and including 31 December 2017;
- (k) IPL: Technical Cooperation Trust Fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (financed by the Government of Sweden), which is extended up to and including 31 December 2017;
- (l) MDL: Technical Cooperation Trust Fund for UNEP Implementation of the Millennium Development Goals Achievement Fund, which is extended up to and including 31 December 2017;
- (m) REL: Technical Cooperation Trust Fund for the Promotion of Renewable Energy in the Mediterranean Region (financed by the Government of Italy), which is extended up to and including 31 December 2017;
- (n) SEL: Technical Cooperation Trust Fund for the Implementation of the Agreement with Sweden, which is extended up to and including 31 December 2017;
- (o) SFL: Technical Cooperation Trust Fund for the Implementation of the Framework Agreement between Spain and UNEP, which is extended up to and including 31 December 2017;
- (p) VML: Technical Cooperation Trust Fund to Assist Developing Countries to Take Action for the Protection of the Ozone Layer Under the Vienna Convention and Montreal Protocol (Financed by the Government of Finland), which is extended up to and including 31 December 2017;

II

Trust funds in support of regional seas programmes, conventions, protocols and special funds

3. *Notes and approves* the establishment of the following trust fund since the twenty-seventh session of the Governing Council:

SMU: Trust Fund to Support the Activities of the Secretariat of the Memorandum of Understanding on the Conservation of Migratory Sharks, which was established in 2013 with an expiry date of 31 December 2015;

4. *Approves* the extension of the following trust funds subject to the Executive Director of the United Nations Environment Programme receiving requests to do so from the relevant Governments or contracting parties:

General trust funds

- (a) BEL: General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (b) BGL: General Trust Fund for the Core Programme Budget for the Biosafety Protocol, which is extended up to and including 31 December 2017;
- (c) BHL: Special Voluntary Trust Fund for Additional Voluntary Contributions in Support of Approved Activities of the Biosafety Protocol, which is extended up to and including 31 December 2017;
- (d) BIL: Special Voluntary Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties, in particular the Least Developed and the Small Island Developing States among them, and Parties with Economies in Transition (Biosafety Protocol), which is extended up to and including 31 December 2017;
- (e) BTL: General Trust Fund for the Conservation of the European Bats Agreement, which is extended up to and including 31 December 2017;
- (f) BYL: General Trust Fund for the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (g) BZL: General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (h) CAP: Trust Fund for the Core Budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related Protocols, which is extended up to and including 31 December 2017;

- (i) CRL: Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme, which is extended up to and including 31 December 2017;
- (j) EAL: Regional Seas Trust Fund for the Eastern African Region, which is extended up to and including 31 December 2017;
- (k) ESL: Regional Seas Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas, which is extended up to and including 31 December 2017;
- (l) MEL: Trust Fund for the Protection of the Mediterranean Sea against Pollution, which is extended up to and including 31 December 2017;
- (m) MPL: Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer, which is extended up to and including 31 December 2017;
- (n) MSL: Trust Fund for the Convention on the Conservation of Migratory Species of Wild Animals, which is extended up to and including 31 December 2017;
- (o) MVL: General Trust Fund for Voluntary Contributions in Support of the Convention on the Conservation of Migratory Species of Wild Animals, which is extended up to and including 31 December 2017;
- (p) PNL: General Trust Fund for the Protection, Management and Development of the Coastal and Marine Environment and the Resources of the Northwest Pacific Region, which is extended up to and including 31 December 2017;
- (q) ROL: General Trust Fund for the Operational Budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, which is extended up to and including 31 December 2017;
- (r) RVL: Special Trust Fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, which is extended up to and including 31 December 2017;
- (s) SOL: General Trust Fund for Financing Activities on Research and Systematic Observation for the Vienna Convention, which is extended up to and including 31 December 2017;
- (t) SMU: Trust Fund to Support the Activities of the Secretariat of the Memorandum of Understanding on the Conservation of Migratory Sharks, which is extended up to and including 31 December 2017;
- (u) VBL: Voluntary Trust Fund to Facilitate the Participation of Indigenous and Local Communities in the Work of the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (v) VCL: Trust Fund for the Vienna Convention for the Protection of the Ozone Layer, which is extended up to and including 31 December 2017;
- (w) WAL: Trust Fund for the Protection and Development of the Marine Environment and Coastal Areas of West and Central African Region, which is extended up to and including 31 December 2017.

III

Funding model for flexible programming

5. Notes the proposals set forth by the secretariat and urges member states to support trust fund models that are cost effective, flexible and most appropriate in the delivery of the UNEP programme of work.

II. Management of trust funds and earmarked contributions

A. Current administration of trust funds

2. Trust funds can be managed either as single-donor trust funds or as multi-donor trust funds. In the case of the former, contributions received from each donor are managed in a separate trust fund; in the case of the latter, contributions from more than one donor are combined and managed as a single pool of funds. UNEP administers both single-donor trust funds and multi-donor trust funds. The

primary multi-donor trust fund is the Environment Fund. Single-donor trust funds are operated for contributions that are earmarked by their donors for specific projects or programmes.

1. Multi-donor trust funds

3. Multi-donor trust funds can be employed by United Nations bodies to manage resources that are commingled to finance a set of project or programme priorities. As noted above, the Environment Fund is the primary multi-donor trust fund in UNEP. Its management as a multi-donor fund enhances its effectiveness by reducing transaction costs and by mitigating and managing the risks inherent in the management of multiple trust funds. The Environment Fund serves as an important instrument for UNEP resource mobilization, policy dialogue and risk and information management. The use of multi-donor trust funds is seen as a "best practice" because it is in line with the Paris Declaration on Aid Effectiveness. In the United Nations system, multi-donor trust funds have become important funding mechanisms, channelling and leveraging resources in support of programmatic activities in an effective and coordinated manner. The use of an agreed monitoring and evaluation framework ensures joint assessments of the implementation of agreed commitments on aid effectiveness (see Paris Declaration on Aid Effectiveness, paras. 43–46, indicator 11).

2. Single-donor trust funds

4. As noted above, each single-donor trust fund is established to receive separate donations for specific projects or programmatic activities. As a result, the resources made available to UNEP are held and managed in multiple trust funds. The use to which the contributions held in each trust fund are put can be monitored separately, and such separate monitoring is sometimes required by donors who wish to ensure that their donations are used for the purposes for which they were earmarked. The use of single-donor trust funds allows the various priorities of different donors to be met, and earmarked funds can be tracked to a specific subset of results under the programme of work.

5. With a few notable exceptions, requests for single-donor trust funds lead to the creation of a large number of relatively small funds. This raises the following challenges:

- (a) Monitoring, coordinating and reporting on single-donor or tightly earmarked trust funds are costly, time-intensive activities that usually require the use of complex grant management systems;
- (b) Delays in the payment of contributions to one trust fund can have a critical impact on programmatic delivery as funds from different trust funds cannot be used for the same purpose;
- (c) There is less coordination and coherence between different donors and an increased risk that one part of the programme of work becomes over-funded at the expense of another part;
- (d) Complying with the mutual accountability principle of the Paris Declaration on Aid Effectiveness is a challenge when using these funding modalities;
- (e) Transactional costs increase as different donors have different requirements for monitoring and reporting, which leads to higher cost recovery rates;
- (f) Contributors enjoy less overall transparency because one contributor may not be aware of what another contributor finances.

B. Proposed improvements in the management of trust funds

6. The development of a specialized grant management module through Umoja is expected eventually to improve the tracking and reporting on each trust fund. In addition, subject to consideration by the Committee of Permanent Representatives, UNEP could help to reduce the administrative burden of managing trust funds, in line with Governing Council decision 27/14, by employing the following measures when establishing new trust funds:

- (a) Setting minimum funding thresholds for new trust funds, depending on the purpose of each fund;
- (b) Approving transparent criteria for the establishment of a new single-donor trust fund (if so requested by a Government);
- (c) Providing each donor wishing to establish a single-donor trust fund with:
 - (i) Information on the status of the overall financial situation of UNEP in relation to resource gaps affecting the delivery of the UNEP programme of work;
 - (ii) A list of existing trust funds that are providing funds for activities that are similar to those that the donor wishes to finance, to enable the donor to

consider contributing to the existing funds instead of requiring the creation of a new one;

(d) In the case of both earmarked and loosely earmarked funds, reducing the programme support fee for donors that waive individual reporting on the use of their donations and agree to the use of the UNEP Programme Performance Report (PPR) as the accountability tool for their donations;

(e) Reducing the programme support fee for donors that agree to establish multi-donor trust funds;

(f) Merging trust funds that fund similar activities so as to reduce transaction costs.

7. In addition to the steps above, the UNEP secretariat would brief member States periodically on the status of contributions to its trust funds, by subprogramme and expected accomplishment, so that additional contributions could be directed to areas in the programme of work that were under-funded rather than providing additional resources for already fully funded operations.

1. Approaches to the proposed improvements

8. Broadly, three approaches have been or will be applied to implement the proposed improvements in the management of trust funds: first, internal administrative actions within UNEP; second, coordination and approval from United Nations Headquarters; and, third, guidance and approval by the Environment Assembly.

9. UNEP has recently also strengthened governance arrangements for certain trust funds to improve transparency and accountability in the use of those funds. The measures taken include the establishment of steering committees and annual donor consultations. UNEP has also enforced full cost recovery for trust funds to avoid cross-subsidization from the United Nations regular budget, the Environment Fund or other trust funds, in line with the recently promulgated guidelines from the United Nations Controller.

10. In addition, administrative actions have been or will be taken within UNEP in preparation for the implementation of the International Public Sector Accounting Standards (IPSAS) and Umoja. Such actions will include, for example, the review of all inactive projects and the closure of those for which the administrative procedures required by the financial rules have been completed. UNEP has cleaned up its books with the closure of over 750 inactive IMIS projects and will request the United Nations Office at Nairobi to close inactive trust funds once the disposal of balances has been authorized. In addition, following de facto IPSAS guidelines, UNEP implemented during the latter half of the 2012-2013 biennium more rigorous criteria for the recognition and booking of obligations that are related to future-year projects.

11. UNEP is coordinating with the Trust Fund Section in New York to seek authorization from the Office of the Controller to consolidate trust funds that have been designated for the same activity, such as the 14 separate trust funds that have been established for Junior Professional Officers under the same programme. Under this scheme, individual donors' contribution would still be recognized and reported on separately under country-specific projects financed by the Fund.

12. UNEP is also represented on the United Nations Secretariat-wide working group that has been tasked with reviewing the administration and management of voluntary contributions to trust funds and special accounts. It is expected that the Secretary-General will subsequently issue a revised bulletin to streamline the management of trust funds.

13. Decisions by the Environment Assembly and the Committee of Permanent Representatives will be required on measures proposed above such as the setting of minimum funding thresholds for new trust funds and the adoption of criteria for the establishment of a new single-donor trust fund (if so requested by a Government).

2. Earmarking versus flexibility of programming

14. Most of the contributions to trust funds are earmarked (strictly or loosely) for specific projects or programmes. While contributions in any form are desirable, earmarking constrains the flexibility of the secretariat in funding the programme of work. The Environment Fund is more flexible in this regard, yet contributions as a percentage of total funding (including trust funds but excluding multilateral environmental agreements) declined from 38 per cent in 2010-2011 to 30 per cent in 2012-2013. Environment Fund contributions did grow during the course of the biennium, however, from \$71 million in 2012 to \$80 million in 2013.

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**United Nations Environment Assembly of the
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Items 6 and 7 of the provisional agenda*

**Follow-up to and implementation of the outcomes of
United Nations summits, in particular the United Nations
Conference on Sustainable Development, and major
intergovernmental meetings of relevance to the
United Nations Environment Assembly**

**Budget and programme of work for the biennium
2016–2017 and the Environment Fund and other
budgetary matters**

**Amendments to the Instrument for the Establishment of the
Restructured Global Environment Facility**

Report of the Executive Director

Summary

Upon the recommendation of the Council of the Global Environment Facility (GEF) at its forty-sixth meeting, the Fifth GEF Assembly, in May 2014, approved amendments to the Instrument for the Establishment of the Restructured Global Environment Facility such that:

- (a) GEF will operate as one of the entities comprising the financial mechanism of the Minamata Convention on Mercury; and its responsibilities with regard to the conventions that it serves have been clarified;
- (b) The “ozone layer depletion” and “persistent organic pollutants” focal areas have been replaced with a “chemicals and waste” focal area;
- (c) The eligibility criteria for accessing GEF funding have been updated;
- (d) The name of the GEF Evaluation Office has been changed to GEF Independent Evaluation Office.

The amendments approved by the Fifth GEF Assembly will become effective after their final adoption by the governing bodies of the GEF implementing agencies (the United Nations Development Programme, the United Nations Environment Programme and the World Bank). The United Nations Environment Assembly may therefore wish to consider the information contained in the present report and adopt the amendments to the Instrument.

* UNEP/EA.1/1.

I. Suggested action by the United Nations Environment Assembly of the United Nations Environment Programme

1. The United Nations Environment Assembly may wish to consider the adoption of a decision along the lines suggested below:

The United Nations Environment Assembly,

Recalling its decision SS.IV/1 of 18 June 1994 on the adoption of the Instrument for the Establishment of the Restructured Global Environment Facility (hereinafter "the Instrument"),

Recalling also the approval in May 2014 by the Fifth Assembly of the Global Environment Facility of a number of amendments to the Instrument relating to the GEF being available to operate as one of the financial mechanisms of the Minamata Convention on Mercury; to replace the "ozone layer depletion" and the "persistent organic pollutants" focal areas with a "chemicals and waste" focal area; to update the eligibility criteria for accessing GEF funding; and reflect the change of the name from GEF Evaluation Office to GEF Independent Evaluation Office,

Having taken note of the report of the Executive Director,¹

1. *Decides* to adopt the following amendments to the Instrument, pursuant to the decision of the GEF Assembly in May 2014 (agenda item 5):

(a) The amendment to paragraph 6 of the Instrument by which the Global Environment Facility shall serve as one of the financial mechanisms of the Minamata Convention on Mercury;

(b) The amendment to bullets (a), (b), (c) and (d) of paragraph 6 of the Instrument in order to clarify the GEF responsibilities under the conventions it serves in an orderly fashion;

(c) The amendment to paragraph 2 of the Instrument inviting the GEF to revise its focal area structure and strategy to address the chemicals and waste agenda, and that the "ozone layer depletion" and "persistent organic pollutants" focal areas will be replaced by the "chemicals and waste" focal area;

(d) The amendment to paragraph 9 of the Instrument, by which the eligibility criteria for access to GEF funding is updated to accommodate updates to eligibility criteria in the World Bank on financing, and in the United Nations Development Programme technical assistance;

(e) The amendment to paragraph 11 of the Instrument, by which the Facility shall have an Assembly, a Council and a Secretariat including an independent evaluation office;

(f) The amendments to paragraph 21 of the Instrument, by which the functions of the independent evaluation office are further clarified;

2. *Requests* the Executive Director to consider ways of enhancing the capacity of the United Nations Environment Programme, as the principal United Nations body in the field of the environment, to strengthen its role as implementing agency of the Global Environment Facility;

3. *Also requests* the Executive Director to transmit the present decision to the Chief Executive Officer and Chairperson of the Global Environment Facility.

II. Background

2. The Global Environment Facility (GEF) Assembly consists of representatives of all GEF member countries (also referred to as "participants"). Pursuant to paragraph 34 of the Instrument, amendments to the Instrument may be approved by consensus by the GEF Assembly upon recommendation of the Council, after taking into account the views of the GEF implementing agencies (the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the World Bank) and the Trustee, and become effective after their adoption by the implementing agencies and the Trustee in accordance with their respective rules and procedural requirements.

¹ UNEP/EA.1/9.

3. Annexes IV to VI to the note by the secretariat (UNEP/EA.1/INF/21) contain the background documents submitted to the GEF Council at its forty-sixth meeting and the Fifth GEF Assembly, held in Cancun, Mexico, from 25 to 29 May 2014, to support consideration of the above-mentioned amendments to the Instrument. The documents include the official record of the Assembly decision adopting the amendments and a letter from Ms. Naoko Ishii, Chief Executive Officer and Chairperson of GEF, dated 2 June 2014 and addressed to the Executive Director of UNEP, explaining that the Fifth GEF Assembly in May 2014 approved, by consensus, amendments to the Instrument and invited the GEF Chief Executive Officer and Chairperson to request the implementing agencies and Trustee to adopt the amendments in accordance with their respective rules and procedures.

4. The amendments were discussed during the period 2013–2014 in GEF Council meetings prior to their approval by the Fifth GEF Assembly. Annexes I to III to the note contain the background documents and Council decisions pertaining to those discussions.

III. Amendments

Amendment 1

The Global Environment Facility shall operate as one of the entities comprising the financial mechanism of the Minamata Convention on Mercury

5. The Conference of Plenipotentiaries of the Minamata Convention on Mercury, which adopted the Convention and opened it for signature in Kumamoto, Japan, on 10 October 2013, also adopted resolution 2 on financial arrangements, which invited the GEF Council to give effect to the inclusion of the GEF Trust Fund as a part of the financial mechanism of the Minamata Convention and to recommend to the Assembly of GEF, as a matter of urgency, that it make any adjustments to the Instrument for the Establishment of the Restructured Global Environment Facility that were necessary to allow it to fulfil its role in the financial mechanism.

6. This amendment to the Instrument responds to the invitation set out in resolution 2 of the Conference of Plenipotentiaries and to its adoption of the Minamata Convention.

7. The Executive Director welcomes the decision by the Conference of Plenipotentiaries and the resulting amendment to the GEF Instrument, noting that for the purposes of the Minamata Convention, the GEF Trust Fund shall be operated under the guidance of and be accountable to the Conference of the Parties to the Minamata Convention. The amendment adds a subparagraph to paragraph 6 of the Instrument, which is reflected in subparagraph (e) of the revised paragraph 6 (see para.10 below).

Amendment 2

Clarifying the responsibilities of the Global Environment Facility to each of the conventions it serves

8. Amendment 2 provides an opportunity, 20 years after the adoption of the Instrument, to further amend paragraph 6 of the Instrument in order to update and further clarify in an orderly fashion the responsibilities of GEF to each of the conventions it serves. These amendments clarify that:

(a) GEF shall function under the guidance of, and be held accountable to, the respective conventions;

(b) GEF shall provide resources to meet the agreed incremental costs of global environmental benefits and the agreed full costs of some or all enabling activities, depending on the relevant convention;

(c) The relevant decisions, articles and paragraphs are correctly referenced.

9. The Executive Director welcomes the decision of the GEF Assembly and the resulting amendment to the Instrument, in particular because they are consistent with the guidance provided by the conventions over the years and they further strengthen the relations between GEF and the conventions it serves.

10. The revised paragraph 6, incorporating these amendments reads as follows:²

In partial fulfilment of its purposes, the GEF shall:

- (a) Operate the financial mechanism for the implementation of the United Nations Framework Convention on Climate Change (UNFCCC), on an interim basis, in accordance with such cooperative arrangements or agreements as may be made pursuant to paragraphs 27 and 31 of this Instrument. The GEF shall also be available to meet the agreed full costs of activities described in Article 12, paragraph 1, of the UNFCCC. The GEF shall be available to continue to serve for the purposes of the financial mechanism for the implementation of the UNFCCC if it is requested to do so by the Conference of the Parties pursuant to its Article 11, paragraph 4. In such respects, the GEF shall function under the guidance of, and be accountable to, the Conference of the Parties which shall decide on policies, programme priorities and eligibility criteria related to the UNFCCC pursuant to its Article 11, paragraph 1;
- (b) Be, on an interim basis, the institutional structure which carries out the operation of the financial mechanism for the implementation of the Convention on Biological Diversity (CBD), in accordance with such cooperative arrangements or agreements as may be made pursuant to paragraphs 27 and 31 of this Instrument. The GEF shall be available to continue to serve for the purposes of the financial mechanism for the implementation of the CBD if it is requested to do so by the Conference of the Parties pursuant to its Article 21, paragraph 3. In such respects the GEF shall function under the guidance of, and be accountable to, the Conference of the Parties which shall decide on policies, programme priorities and eligibility criteria for the purposes of the CBD pursuant to its Article 21, paragraph 1;
- (c) Be available to serve as an entity entrusted with the operation of the financial mechanism of the Stockholm Convention on Persistent Organic Pollutants. In such respects the GEF shall function under the guidance of, and be accountable to, the Conference of the Parties which shall decide on policies, strategy, programme priorities and eligibility criteria for the purposes of this Convention pursuant to its Article 13, paragraph 7(a);
- (d) Be available to serve as a financial mechanism of the United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (UNCCD), pursuant to Article 20, paragraph 2 (b), and Article 21 of the UNCCD. The Council shall consider and approve arrangements to facilitate collaboration between the GEF and the UNCCD and among countries with respect to affected countries, particularly Africa; and
- (e) Operate as one of the entities comprising the financial mechanism of the Minamata Convention on Mercury, pursuant to its Article 13, paragraphs 5, 6 and 8. In such respects, the GEF shall operate under the guidance of, and be accountable to the Conference of the Parties, which shall provide guidance on overall strategies, policies, programme priorities and eligibility for access to and utilization of financial resources. In addition, the GEF shall receive guidance from the Conference of the Parties on an indicative list of categories of activities that could receive support; and shall provide resources to meet the agreed incremental costs of global environmental benefits and the agreed full costs of some enabling activities, pursuant to Article 13, paragraph 7, of the Minamata Convention on Mercury.

² The current version of paragraph 6, without these amendments, reads:

(a) In partial fulfilment of its purposes, the GEF shall, on an interim basis, operate the financial mechanism for the implementation of the United Nations Framework Convention on Climate Change and shall be, on an interim basis, the institutional structure which carries out the operation of the financial mechanism for the implementation of the Convention on Biological Diversity, in accordance with such cooperative arrangements or agreements as may be made pursuant to paragraphs 27 and 31. The GEF shall be available to continue to serve for the purposes of the financial mechanisms for the implementation of those conventions if it is requested to do so by their Conferences of the Parties. The GEF shall also be available to serve as an entity entrusted with the operation of the financial mechanism of the Stockholm Convention on Persistent Organic Pollutants. In such respects, the GEF shall function under the guidance of, and be accountable to, the Conferences of the Parties which shall decide on policies, programme priorities and eligibility criteria for the purposes of the conventions. The GEF shall also be available to meet the agreed full costs of activities under Article 12, paragraph 1, of the United Nations Framework Convention on Climate Change.

(b) The GEF shall be available to serve as a financial mechanism of the United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, particularly in Africa (UNCCD), pursuant to Article 20, paragraph 2(b), and Article 21 of the Convention. The Council shall consider and approve arrangements to facilitate collaboration between the GEF and the UNCCD and among countries with respect to affected countries, particularly Africa.

Amendment 3

Replacing the “ozone layer depletion” and “persistent organic pollutants” focal areas with a “chemicals and waste” focal area

11. The GEF Instrument, in paragraph 2, identifies persistent organic pollutants and ozone-depleting substances as two separate focal areas. Pursuant to the consultative process on financing options for chemicals and waste, launched by the UNEP Executive Director at the fourth meeting of the Conference of the Parties to the Stockholm Convention on Persistent Organic Pollutants, and UNEP Governing Council decision 27/12, on chemicals and waste management, in which the Council invited the Facility to revise its focal area structure and strategy in order to address the chemicals and wastes agenda and to consider ways of further strengthening its relations with the conventions it serves as a financial mechanism. In its resolution III/1, on financial and technical resources for implementation of the Strategic Approach to International Chemicals Management, the International Conference on Chemicals Management, at its third session, held in September 2012, invited GEF in the process of the sixth replenishment of its trust fund to consider the priorities and activities identified in the Strategic Approach in support of the achievement of its objectives.

12. The GEF Assembly therefore, upon the recommendation of the GEF Council, approved an amendment to paragraph 2 of the instrument to delete subparagraphs (e) and (f) and replace them with a new subparagraph (e). Paragraph 2 would read as follows:

The GEF shall operate, on the basis of collaboration and partnership among the Implementing Agencies, as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the following focal areas:

- (a) Biological diversity;
- (b) Climate change;
- (c) International waters;
- (d) Land degradation, primarily desertification and deforestation;
- (e) Chemicals and waste.

13. The Executive Director welcomes the decision of the GEF Assembly and the resulting amendment to the Instrument.

Amendment 4

Updating the eligibility criteria for accessing Global Environment Facility funding

14. The second sentence of paragraph 9 (b) of the Instrument reads:

A country shall be an eligible recipient of GEF grants if it is eligible to borrow from the World Bank (IBRD and/or IDA) or if it is an eligible recipient of UNDP technical assistance through its country Indicative Planning Figure (IPF).

15. Since the establishment of the Instrument, however, the criteria of eligibility under the World Bank and UNDP have changed. The World Bank International Development Association (IDA) introduced grants for a select group of low-income countries during its twelfth replenishment period (2000–2002). Furthermore, the UNDP regular resource allocations for country-level programme activities are made within the framework of targets for resource assignments from the core (TRACs). TRAC-1 refers to the annual level of regular programme resources targeted to be available for an individual programme country during the programming period. TRAC-2 was designed to provide the Administrator with the flexibility to allocate regular programme resources to high-impact, high-leverage and high-quality programme activities and to help UNDP to respond effectively to differentiated country needs (decision 2013/4).

16. The GEF Assembly, in consultation with the GEF Council, therefore approved an amendment to the relevant text in paragraph 9 (b) as follows:³

A country shall be an eligible recipient of GEF grants if it is eligible to receive World Bank (IBRD and/or IDA) financing or if it is an eligible recipient of UNDP technical assistance through its target for resource assignments from the core (specifically TRAC-1 and/or TRAC-2).

17. The Executive Director welcomes the decision of the GEF Assembly and the resulting amendment to the Instrument so as to update eligibility requirements under GEF.

Amendment 5

Amending paragraphs 11 and 21 of the Instrument relevant to the evaluation function of the GEF

18. The GEF Council meeting in November 2013 agreed to change the name of the GEF Evaluation Office to Independent Evaluation Office, and recommended to the GEF Assembly in 2014 the revision of paragraph 11 to include a reference to the Independent Evaluation Office as follows :

The GEF shall have an Assembly, a Council and a Secretariat including an independent evaluation office.

19. Furthermore, the Council recommended to the GEF Assembly in 2014 the revision of paragraph 21 of the Instrument to include a new subparagraph 21 (i) that asserts the independence of the evaluation function, as follows, and adjusts the numbering of subsequent paragraphs:

There shall be an independent evaluation office headed by a director, appointed by and reporting to the Council, whose responsibility it is to carry out independent evaluations consistent with decisions of the Council.

20. The Executive Director welcomes the decision of the GEF Assembly and the resulting amendment to the Instrument that asserts the independence of the evaluation function of the GEF.

21. The note by the Secretariat (UNEP/EA.1/INF/21) provides the following documents in support of the information provided in the present report:

- (a) Joint summary of the Chairs of the forty-fifth meeting of the Council of the Global Environment Facility (annex I);
- (b) Document of the Council of the Global Environment Facility on proposed amendments to the Instrument (annex II);
- (c) E-mail from the secretariat of the Global Environment Facility relating to proposed amendments to the Instrument (annex III);
- (d) Document of the Assembly of the Global Environment Facility on proposed amendments to the Instrument (annex IV);
- (e) Chair's summary of the Fifth Assembly of the Global Environment Facility (annex V);
- (f) Correspondence from the Chief Executive Officer and Chair of the Global Environment Facility addressed to the Executive Director of the United Nations Environment Programme (annex VI).

³ The current version of subparagraph 9 (b), without the amendment, reads:

All other GEF grants shall be made available to eligible recipient countries and, where appropriate, for other activities promoting the purposes of the Facility in accordance with this paragraph and any additional eligibility criteria determined by the Council. A country shall be an eligible recipient of GEF grants if it is eligible to borrow from the World Bank (IBRD and/or IDA) or if it is an eligible recipient of UNDP technical assistance through its country Indicative Planning Figure (IPF). GEF grants for activities within a focal area addressed by a convention referred to in paragraph 6 but outside the framework of the financial mechanism of the convention, shall only be made available to eligible recipient countries that are party to the convention concerned.